



SMALL BUSINESS ADMINISTRATION

13 CFR Part 120

504 Loan Program Rural Initiative – Extension of Pilot Program

AGENCY: U.S. Small Business Administration.

ACTION: Notification of Extension of 504 Loan Program Rural Initiative Pilot Program.

SUMMARY: The 504 Loan Program Rural Initiative Pilot Program (504 Rural Pilot) authorizes Certified Development Companies (CDCs) to make 504 loans for projects in rural counties located in their Small Business Administration (SBA) Region during the two-year period beginning July 19, 2018 and ending July 20, 2020. The SBA announces the extension of the 504 Rural Pilot to September 30, 2021.

DATES: The 504 Rural Pilot, including the waiver of the restrictions in 13 CFR 120.839 on the CDC's authority to make loans outside their Area of Operations, is extended through September 30, 2021.

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SUPPLEMENTARY INFORMATION: On July 19, 2018, SBA announced the availability of the 504 Rural Pilot for a two-year period, through July 20, 2020. *See* 83 FR 34021. In the notification, SBA explained that there has been a significant decline in the number of rural CDCs since 2013 and that SBA developed the 504 Rural Pilot to

increase 504 lending in rural areas by allowing CDCs to make loans outside their Area of Operations. Specifically, the 504 Rural Pilot allows CDCs to make loans for 504 Projects with an address located in any county classified as “rural” by the U.S. Census Bureau if the 504 Project is located in the same SBA Region in which the CDC is incorporated.

Between July 19, 2018 and June 1, 2019, eight loans, in the aggregate amount of \$2,983,000, have been approved under the 504 Rural Pilot. These loans range in size from \$70,000 to \$1,036,000 and are providing assistance for projects located in communities with populations that range in size from 276 to 34,538. From the size of the communities served, the pilot is beginning to reach communities that are hard to serve due to population size.

SBA would like to extend the time period of the 504 Rural Pilot to give CDCs more time to market the 504 Program in eligible rural areas. Because it takes time and additional investment for CDCs to market in new areas, CDCs have requested that the pilot be extended. By providing more time for CDCs to develop loan awareness and activity in the rural communities within their regions, SBA hopes that CDCs will be able to generate more new loans to assist rural businesses. Accordingly, SBA has decided to extend the pilot through September 30, 2021.

In addition, for purposes of this pilot, a rural county is currently defined as a county classified as “mostly rural” or “completely rural” by the U.S. Census Bureau in its most recent decennial census report. SBA is hereby modifying the definition of a “rural county” for purposes of this pilot to include any county that the U.S. Census Bureau classifies as greater than or equal to 30% rural in its most recent decennial census report. This definition will apply to any loan approved on or after [INSERT DATE OF

PUBLICATION IN THE FEDERAL REGISTER] under this pilot. These counties are identified in the County Classification Lookup Table that can be downloaded at <https://www.sba.gov/about-sba/sba-initiatives/sba-rural-lending-initiative> or on the Welcome Screen for the Capital Access Financial System (CAFS). SBA believes that the expanded definition of “rural county” will encourage more lending through the pilot and will bring capital to these underserved areas. Further, this change will align this pilot with the definition of rural that is used in the 7(a) and 504 loan programs. CDCs must continue to use the U.S. Census Bureau table for purposes of identifying the rural counties that are eligible for the 504 Rural Pilot. The terms and conditions of the pilot are otherwise unchanged.

As described in the original notification of this pilot (*see* 83 FR 34021), SBA will continue to use the following criteria to evaluate the 504 Rural Pilot to determine how well it is achieving its objectives and other aspects of performance: (1) the measurable objectives to be achieved through the 504 Rural Pilot, including the number of small business concerns served, and the delinquency and default rates on the 504 Rural Pilot loans compared to regular 504 loans; (2) the number of CDCs that participate in the 504 Rural Pilot and their performance in making and servicing 504 Rural Pilot loans; and (3) the costs and standards of performance which, in order to be acceptable, must not impact the overall subsidy rate for the 504 Loan Program.

Authority: 13 CFR 120.3.

Dated: August 20, 2019.

Christopher M. Pilkerton,
Acting Administrator.

[FR Doc. 2019-18609 Filed: 8/27/2019 8:45 am; Publication Date: 8/28/2019]